

## Monthly Commissioner's Column

### Procedures for the Depopulation of Louisiana Citizens Property Insurance Corporation

April 2008

The Louisiana Department of Insurance (LDI) sent out an e-mail blast to all P&C insurance companies and agents on March 26, 2008 detailing the procedures that were established for the first round of depopulation of Louisiana Citizens Property Insurance Corporation (LCPIC) via the Insure Louisiana Incentive Program. I am taking another opportunity in the *Agents Voice* to inform you of how we expect the depopulation to work.

The procedures were established at a meeting at the LDI on March 14th, 2008. Those participating in the discussion were representatives of the LDI, depopulation insurers (both Insure Louisiana Incentive Program participating companies and non Insure Louisiana Incentive Program companies), insurance agents and LCPIC.

This upcoming activity to depopulate LCPIC is great news for Louisiana since we will not only see competition among insurance companies for existing LCPIC policies, which will move the State toward getting out of the property insurance business, but we will also see competition for new property and casualty policies not currently held by Louisiana Citizens. I am confident that you will be reviewing policy proposals from these new companies as they come to you, making the best insurance policy decision for your clients. This includes remembering the importance of customers who may want to stay with their current carrier if they have been with a company for more than three years, so as not to have the wind and hail portions of their policy dropped prematurely.

The timeline established for depopulation of LCPIC is as follows:

**Between March 15, 2008 and April 15, 2008** the depopulation companies will work with agents to seek final agent approval on individual policies. Agents should give approval to only one depopulation company for any individual policy. Agents should delete any policies that are duplicates and should not be taken out, or which do not meet underwriting criteria and should remain in LCPIC.

**On or before May 1, 2008** the depopulation insurer will provide LCPIC with their list of selected policies that have been approved for take out by the agent.

**Between May 1, 2008 and June 1, 2008** LCPIC will analyze the various lists and mark the agent approved policies for take out with the appropriate depopulation company. Any policies with duplicate selections will be sent to the agent (with a copy to the companies) for determination as to which depopulation company should be the assuming depopulation company.

**Prior to June 1, 2008** agents and policyholders will be formally notified of the assumption and subsequent non renewal by both the depopulation insurer and LCPIC. It is planned to accomplish this in a single mailing.

**On June 1, 2008** LCPIC will issue Assumption Agreements to the depopulation companies covering the selected policies.

**March 1, 2008** is the retroactive effective date of the Assumption Agreements. While LCPIC and its service providers will adjust claims until June 1, 2008, depopulation insurers will be responsible for reimbursement of losses incurred from March 1, 2008 until June 1, 2008. New claims adjusted by LCPIC between March 1, 2008 and June 1, 2008 will be handled to completion by LCPIC with oversight by the take out companies.

**October 1, 2008** is the deadline for LCPIC to renew policies on LCPIC paper and the beginning date for depopulation carriers to provide renewals on their paper. Depopulation carriers will have access to the policies from June 1, 2008.

**February 28, 2010** is the date in which the LDI requirements for companies in the Insure Louisiana Incentive Program should be met. Future depopulation rounds will occur later in the year.

### **Key Points to Consider When Selecting New Companies for Policyholders**

You will be making decisions for the policyholders when reviewing proposals from more than one depopulation company on insurance policies. You should discuss with depopulation companies such things as:

- Financial stability of the depopulation insurers.
- While it is expected rates and forms will be at least as good as LCPIC - agents should have this discussion with the depopulation insurer.
- A key issue in handling renewals will be insurance to value (ITV) – agents should evaluate any impact of ITV on renewal premiums.
- Other products the depopulation insurer will provide or require.
- Review of business methods of the depopulation carrier(s).
- Acceptable agent contracts and compensation.
- When the depopulation insurer begins to write policies on their paper it is expected they will handle these conversions as renewals; however, this should be reviewed with the depopulation insurer.
- It is the agent's responsibility to select the depopulation insurer. While agents may represent multiple depopulation insurers they should not select multiple carriers on the same individual policy.

We expect to see insurance rates reduced by about 10 percent for policies moved out of Louisiana Citizens, which will produce a much needed savings to the P&C policyholders. I am hopeful that with the depopulation efforts now underway, the LCPIC policy count will be reduced greatly.

I refer you to the March e-mail blast from LDI for contact information if you have questions on how these procedures are expected to work. I thank you for the extra hours you will put into this decision-making process, choosing the best possible P&C policy for your clients and the people of Louisiana.